

**IMPLEMENTATION OF THE INTEGRATED FINANCIAL MANAGEMENT SYSTEM FOR THE
PUBLIC SECTOR**

(PE-0192)

EXECUTIVE SUMMARY

**BORROWER
AND GUARANTOR:** Republic of Peru

EXECUTING AGENCY: Ministry of Economic Affairs and Finance (MEF)
through its Sector Lending Coordination Unit [Unidad
de Coordinación de Préstamos Sectoriales] (UCPS)

AMOUNT AND SOURCE: IDB: US\$1,500,000 (OC)
Local counterpart funding: US\$1,250,000
Total: US\$2,750,000

**FINANCIAL
TERMS AND
CONDITIONS:** Amortization period: 20 years
Disbursement period: 18 years
Interest rate: variable
Inspection and supervision: 1% of the loan
Credit fee: 0.75% of the undisbursed
balances
Currency: United States dollars
from the Single Currency
Facility

OBJECTIVES: The program's objective is to modernize public
administration by strengthening State financial
management. The specific objective is to
consolidate, improve and enlarge the SIAF-SP by
expanding it to cover more of the public sector and
combining it with the other administrative systems.

DESCRIPTION: The three components conceived to accomplish the
program's objectives are: (i) completion of the
development and introduction of the SIAF-SP financial
modules; (ii) consolidation and institutionalization
of a permanent support capability for the SIAF-SP;
and (iii) design and implementation of the management
software.

**ENVIRONMENTAL AND
SOCIAL REVIEW:** This project has no environmental or social effects.

BENEFITS: The program's chief benefit is timely, reliable
information providing good coverage of the public
sector's budgetary and financial operations and a
permanent overall picture of the financial resources

available to the State to enable it to perform better.

RISKS:

No significant risks are anticipated with the operation, given the government's support and the progress made. Nevertheless, some additional effort is still needed from the highest-ranking national authorities to underwrite the costs of the change that the SIAF-SP involves. However, the risk here is lessened to some extent by the fact that the MEF is using resources from its own budget to operate the SIAF-SP.

At the present time, the SIAF-SP is a parallel but unofficial system, which is why it is not more widely used to keep records. The nature of the system is such that its integrity and coverage are essential. If it is not made an official, mandatory system in 1998, efforts to consolidate it may fail. Once it has been operating officially for three months, alongside the other state financial management records systems, the SIAF-SP will have to replace them entirely. Without this sequence of events, it will be unable to perform properly in 1999.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Condition precedent to the first disbursement: Evidence must be presented showing that the SIAF-SP has been instituted as an official, mandatory records system. The plan is for the Office of the Deputy Minister of Finance to pass a resolution making the SIAF-SP the official, mandatory system (special condition) (see paragraph 2.22).

Special conditions relating to execution: (i) the program's revolving fund is to be the equivalent of 10% of the loan (see paragraph 2.24); (ii) up to the equivalent of US\$350,000 in expenditures effected since June 1, 1998, will be recognized as eligible for reimbursement, under the program, and chargeable to the loan proceeds (see paragraph 2.23); (iii) the plan and timetable for making the SIAF-SP a permanent part of the MEF's organizational structure is to be presented (see paragraph 2.28); (iv) midterm and final reports are to be presented (see paragraph 4.1); and (v) midterm and final evaluations of the program are to be presented (see paragraphs 4.2 and 4.3).

**EXCEPTIONS TO
BANK POLICY:**

None

POVERTY TARGETING:

No direct effects on the low-income population are anticipated.

**BANK STRATEGY
IN THE
COUNTRY:**

In the 1996-2000 period, the Bank's resources are focusing on the following strategic areas in Peru: (i) assisting the country with tasks vital to economic modernization, while prioritizing structural reforms that help generate private investment; (ii) reducing poverty, and (iii) supporting efforts to modernize the State. The program promotes greater efficiency and efficacy in the public sector and fits into the modernization process that the government has under way. Hence, it is consistent with the priorities established in the Bank's strategy for Peru.

PROCUREMENT:

The procurement of goods and related services and the contracting of consulting services financed with proceeds of the loan will be done according to Bank procedures for procurement and for selection and contracting of consultants. The goods procured under the program will be mainly computer of hardware and software.

Because of the wide range of distributors for the numerous suppliers of goods of this type in the country, and because service and maintenance must be available in the country, international competitive bidding is recommended when the amount involved is US\$350,000 or higher. Procurement for lesser amounts will be conducted in accordance with domestic legislation.